Western States Office and Professional Employees Pension Fund

Rehabilitation Plan Questions and Answers

January 2015

Introduction

The Board of Trustees ("Board") of the Western States Office and Professional Employees Pension Fund (called the "Plan" in this document) is providing this document to all interested parties. Those parties include all Participants, Employers and Unions. The questions addressed below are based on questions received by Trustees and the Plan's Third Party Administrator.

This document is one of many the Board has provided to interested parties since the Plan was certified to be in critical status in 2009. All of the prior Question and Answer documents are available on the Plan's website. Also available on the website are the Plan documents; the Plan's Form 5500 reporting forms; the Plan's annual audit; the Plan actuary's report; the Plan investment consultant's report; the Rehabilitation Plan and other important Plan documents. You can download a copy of these documents online at: *http://www.wsp.aibpa.com* or request a copy from the Plan's Third Party Administrator (see below).

All of the answers provided in this document are based on current law and regulations. There is always a chance that those laws and regulations may change in the future.

If you have questions you should contact the Plan's third party administrator as follows:

Trust Office Information

A&I Benefit Plan Administrators, Inc.
1220 S.W. Morrison St, Suite 300
Portland, OR 97205-2222
Toll-Free: (800) 413-4928
Local: (503) 222-7694

1. Does the Board have a written plan to get out of the red zone, and if so, what is the plan?

<u>Short Answer</u>: Yes, the Board has a plan to address the Plan's red zone status. That plan is called the "Rehabilitation Plan" and was effective November 25, 2009.

<u>Explanation</u>:

The Plan was required to adopt a Rehabilitation Plan after the Plan's actuary certified that the Plan was in the "red zone" – which is based on the Plan's funded status. A Rehabilitation Plan was required by the Pension Protection Act of 2006 ("PPA").

The Board has amended the Rehabilitation Plan from time to time. The current Rehabilitation Plan was adopted to forestall the Plan's insolvency, which is allowed under PPA. Over time, the Plan's assets are expected to decrease as more participants retire and retirement payments from the Plan increase, until the Plan is expected to be insolvent in 2042.[1] This date may change over time and is dependent on the Plan's investment returns in any given year, decisions by employers to accept the terms of the current Rehabilitation Plan versus withdrawing, and the ability of the Plan to collect withdrawal liability assessments owed by employers.

The Board published a series of detailed Questions and Answers related to the Rehabilitation Plan since the plan was adopted. Rather than repeat those Q&As here, you can view them online at the Plan's website: http://www.wsp.aibpa.com.

2. What are the Trustees and Plan Professionals doing to improve the Plan?

<u>Answer</u>: At every meeting the Board reviews implementation of the Rehabilitation Plan. The Board has the discretion to revise the Rehabilitation Plan and has updated the plan from time to time, as explained above. The Board collects delinquent contributions and monitors Plan expenses. In addition the Board monitors investment managers, Plan investments, as market trends and adjusts the Plan's investment policy as needed.

[1] The insolvency date is projected by the Plan's actuary each year and assumes the current Rehabilitation Plan continues until the insolvency date.

3. Will the surcharges ever end?

<u>Answer</u>: Employers pay either a surcharge (required by law for employer's that have not adopted the Rehabilitation Plan) or supplemental employer contributions once they adopt the Rehabilitation Plan. Surcharges and supplemental employer contributions have to be made until the Plan emerges from red zone status or the Plan becomes insolvent.

4. We have been told that our Plan will be insolvent by 2042, is this still the case?

<u>Answer</u>: The Plan is currently projected to be insolvent in 2042 (see answer #1 above).

5. If our employer were to request information on withdrawing from the Plan.

a. How is this calculated?

<u>Answer</u>: The Trust Office calculates the withdrawal liability in conjunction with the Plan's actuary. Withdrawal liability is addressed in Questions and Answers dated July 1, 2014, which were mailed to all Participants and are available on the Plan's website for no cost.

b. If someone is not vested, how does this impact them?

<u>Answer</u>: They lose the non vested portion of their benefit.

c. What recourse do we have as employees?

<u>Answer</u>: The Employer cannot withdraw unless both parties agree to amend the collective bargaining agreement.

6. Why do our pension benefits only transfer to a spouse or joint partner beneficiary? If a person is single, they should have the ability to transfer a portion of their pension benefits to their surviving children or maybe we should terminate the benefits for a beneficiary.

<u>Answer</u>: The Plan is subject to the Employee Retirement Income Security Act of 1974 (commonly called "ERISA"). ERISA requires the following form of benefits: a single life annuity for single participants and a qualified joint and 50% survivor benefit for married participants.

The Plan cannot eliminate benefit forms required under ERISA. For example, a married participant must be given the option of a joint annuity that pays a benefit *to a spouse.[2] ERISA does not require that a single participant have the option of a survivor's benefit.*

At the time the Plan entered the red zone the Board looked at all benefit forms that could be eliminated under the Pension Protection Act in order to save Plan assets and help the Plan emerge from the red zone. The Board decided to retain only the benefit forms required under ERISA, as discussed above. This means that single participants are restricted to a single life annuity.

However, the Board subsequently added back the following death benefit for single participants (this language is from the Plan booklet, which is also available at the Plan's website):

> Your beneficiary will receive a lump sum Death Benefit equal to $500 per year of service (up to a maximum of $5,000) if:[3]
>
> (a) your death occurs on or after January 1, 2010,
>
> (b) contributions were made to the Plan on your behalf in the month preceding the month of your death; and
>
> (c) you are not married at the time of your death.

[2] A participant's spouse can waive the joint annuity form after receiving a notice form from the Trust Office.

[3] This Pre-Retirement Death Benefit-Single Participants is effective January 1, 2010.

Western States Office and Professional Employees Pension Fund

Rehabilitation Plan Questions and Answers

July 1, 2014

Introduction

The Board of Trustees ("Board") of the Western States Office and Professional Employees Pension Fund (called the "Plan" in this document) is providing this document to all interested parties. Those parties include all Participants, Employers and Unions. The questions addressed below are based on questions received by Trustees and the Plan's Third Party Administrator.

This document is one of many the Board has provided to interested parties since the Plan was certified to be in critical status in 2009. All of the prior Question and Answer documents are available on the Plan's website. Also available on the website are the Plan documents; the Plan's Form 5500 reporting forms; the Plan's annual audit; the Plan actuary's report; the Plan investment consultant's report; the Rehabilitation Plan and other important Plan documents. You can download a copy of these documents online at: *http://www.wsp.aibpa.com* or request a copy from the Plan's Third Party Administrator (see below).

All of the answers provided in this document are based on current law and regulations. There is always a chance that those laws and regulations may change in the future.

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1. Why is the Plan losing money?

Short Answer: The total Plan assets have increased the past two years, due to the increase in employer payments under the Rehabilitation Plan (surcharge and supplemental contributions) and positive investment returns.

Explanation:

The total Plan assets are dependent upon contributions paid by employers, investment returns, Plan expenses and benefits paid to Participants. The Plan assets may increase or decrease depending upon the year and the factors mentioned above. For example, the chart on the next page shows that total Plan assets decreased in 2011, mainly due to low investment returns. However, the chart shows that total Plan assets increased in both 2012 and 2013.

You are correct, however, that over time Plan assets are expected to decrease as more participants retire and payments from the Plan increase, until the Plan is expected to be insolvent in 2042.[1]

Employer Contributions

Employer contributions have increased since the Rehabilitation Plan became effective. The chart on the next page shows the positive impact to the Plan's assets of the surcharge and employer supplemental contributions. In 2011 employer contributions totaled $8,659,149. That amount increased to $11,074,308 in 2013.

Investment Returns

The Plan investment portfolio has had a positive return since the market crash in 2008. The Plan investments are well diversified and professionally managed. The investment returns, net of fees, are as follows:[2]

2013	13.0%
2012	11.5%
2011	1.5%
2010	13.2%
2009	16.0%

1 The insolvency date is projected by the Plan's actuary each year and assumes the current Rehabilitation Plan continues until the insolvency date.

2 The 2009 - 2012 returns are reported on the Plan's 2009 - 2012 Form 5500 filing, which are available on the Plan's website. The 2013 return is based on the draft audited financials for the Plan Year ending December 31, 2013, which will be available on the Plan's website once the audited financials are finalized.

Retirees Exceed Actives

The amount of benefits paid is a big factor in determining whether the Plan assets increase or decrease each year. For example, the chart below shows that in 2011 the benefit payments going out to retirees and beneficiaries exceeded the Plan's income from contributions and investments. However, in 2012 and 2013 the Plan's income exceeded the amount paid out in benefits.

In addition, while participating employers continue to add new participants as the economy improves, there are few new employers joining the Plan. This means that the number of actives is not growing significantly. In the pension community the Plan is considered a "mature" plan because the number of retirees exceeds the number of actives.

As reported on the most recent Form 5500, the break-down in Participants by category follows[3]

Actives:	*1,806*
Terminated vested:	*2,555*
Retirees:	*3,098*
Beneficiaries:	*408*
Total:	*7,867*

The following chart shows the total Plan assets for the past three Plan years based on Exhibit B of the Plan's annual audit. The annual audits are available on the Plan's website[4]*:*

Plan Year:	*2013*	*2012*	*2011*
Beginning Plan asset balance:	***$353,805,803***	***$343,278,474***	***$366,575,098***
Add Plan Income			
Employer contributions:	*11,074,308*	*9,849,198*	*8,659,149*
Investment income:[5]	*44,068,302*	*37,884,462*	*5,075,354*
Other income:	*75,682*	*74,035*	*192,977*
Total Plan income:	*55,218,292*	*47,807,695*	*13,927,480*
Less Benefit payments:	*37,690,222*	*37,280,366*	*37,224,104*
Ending Plan Asset balance:	***$371,333,873***	***$353,805,803***	***$343,278,474***

3 These numbers are reported on the 2012 Form 5500 filed with the IRS on October 10, 2013, which is available on the Plan's website.

4 2013 is based on the draft audited financials for the Plan Year ending December 31, 2013, which will be available on the Plan's website once the audited financials are finalized.

5 The investment return figure is net of investment and operating expenses.

2. I am vested. Will I have a pension benefit when I decide to retire?

<u>Short Answer</u>: Yes. You will have a pension when you retire. Your pension, based on current law, will be paid as explained below.

<u>Explanation</u>:

The Plan will pay the pension for you and all other vested retirees until the Plan assets are reduced to such a point that the Plan is insolvent. The Plan's actuary currently estimates that the Plan will become insolvent in 2042. This date will change over time and is dependent on the Plan's investment returns in any given year, decisions by employers to accept the terms of the current Rehabilitation Plan versus withdrawing, and the ability of the Plan to collect withdrawal liability assessments from employers.

Here's what happens if the Plan becomes insolvent:

a. The Plan will continue to pay pension benefits for all vested Participants. The Plan does not go away. The Board continues to manage the Plan and oversee Plan investments and administration.

b. The Plan will file an application for insurance coverage from the Pension Benefit Guarantee Corporation (often referred to as the "PBGC"). The PBGC is a federal agency that insures pension benefits. The Plan pays an annual insurance premium to the PBGC each year for every Participant. The Plan buys this insurance to protect your vested benefits.

c. To pay benefits the Plan will continue to use Plan assets and investment returns to pay benefits, as available. In addition, the Plan will receive funding directly from the PBGC.

3. I am already retired and receiving my pension benefits. Is there enough money to keep paying my benefit through the rest of my lifetime? Will my benefit ever be reduced?

<u>Short Answer</u>: As noted above the Plan is projected to be solvent until 2042. Your pension cannot be reduced while the Plan is solvent. If the Plan becomes insolvent the Plan is subject to PBGC rules, which may require a reduction to retiree pensions.

<u>Explanation</u>:

The maximum benefit that the PBGC guarantees is set by law. Only vested benefits are guaranteed. Specifically, the PBGC guarantees a monthly benefit payment equal to 100 percent of the first $11 of the Plan's monthly benefit accrual rate, plus 75 percent of the next $33 of the accrual rate, times each year of credited service. The PBGC's maximum guarantee, therefore, is $35.75 per month times a participant's years of credited service.

Example 1: If a Participant with 10 years of credited service has an accrued monthly benefit of $500, the accrual rate for purposes of determining the PBGC guarantee would be determined by dividing the monthly benefit by the Participant's years of service ($500/10), which equals $50. The guaranteed amount for a $50 monthly accrual rate is equal to the sum of $11 plus $24.75 (.75 x $33), or $35.75. Thus, the Participant's guaranteed monthly benefit is $357.50 ($35.75 x 10).

Example 2: If the Participant in Example 1 has an accrued monthly benefit of $200, the accrual rate for purposes of determining the guarantee would be $20 (or $200/10). The guaranteed amount for a $20 monthly accrual rate is equal to the sum of $11 plus $6.75 (.75 x $9), or $17.75. Thus, the Participant's guaranteed monthly benefit would be $177.50 ($17.75 x 10).

The PBGC guarantees pension benefits payable at normal retirement age and some early retirement benefits. In calculating a person's monthly payment, the PBGC will disregard any benefit increases that were made under the plan within 60 months before the earlier of the plan's termination or insolvency (or benefits that were in effect for less than 60 months at the time of termination or insolvency). Similarly, the PBGC does not guarantee pre-retirement death benefits to a spouse or beneficiary (e.g., a qualified pre-retirement survivor annuity) if the participant dies after the plan terminates, benefits above the normal retirement benefit, disability benefits not in pay status, or nonpension benefits, such as health insurance, life insurance, death benefits, vacation pay, or severance pay.

4. You say that if my employer withdraws from the Plan that my pension stays in place. How is this possible if my employer has stopped paying their contributions?

<u>Short Answer</u>: First, vested benefits are paid by the Plan from Plan assets, unrelated to whether your employer is making contributions. Second, any employer that leaves the Plan cannot just walk-away from contributions. The employer is required to make withdrawal liability payments. Those payments generally equal the contributions the employer made while participating in the Plan.

<u>Explanation</u>:

As noted above, the Plan will continue to pay pension benefits from Plan assets until the Plan becomes insolvent. At that point, the Plan will continue to pay pensions using financial assistance from the PBGC. The Plan will continue to pay pensions until the last retiree dies.

The fact that your employer withdraws from the Plan doesn't mean your employer stops making contributions. The type of contribution changes, but the employer's obligation to contribute continues.

An employer that withdraws from the Plan is subject to federal withdrawal liability rules. The withdrawal liability rules protect the Plan, and your pension. An employer that withdraws stops making contributions based on hours worked and starts making payments based on the employer's share of the Plan's unfunded liability (the difference between the Plan assets and the amount needed for the Plan to be fully funded).

The Plan has a Withdrawal Liability Policy, which is also available on the Plan's website. Under the policy a withdrawn employer must make either (a) a single lump sum withdrawal liability payment; or (b) quarterly withdrawal liability installment payments.

In general, an employer makes the same amount of payments whether the employer stays in the Plan or the employer withdraws. The difference is the benefit accrual. Benefits accrue on regular employer contributions. There is no benefit accrual on withdrawal liability payments. That means that 100% of the withdrawal liability payments are applied to the Plan's underfunding with no benefit accrual for Participants.

5. If the Plan dissolves, how will this affect the vested pension benefits that I've earned to date?

<u>Answer</u>: The Plan is not dissolving. The Plan will be around to pay pensions until the last retiree dies.

6. What is the Plan's prognosis?

<u>Answer</u>: As noted above, the Plan has sufficient assets for the next 20 years, and then is expected to be insolvent in 2042. The Board is actively working to extend the insolvency date as far as possible.

7. On page 2 of the Annual Funding Notice it states that the pension benefits will be depleted in 4 years. Does that affect my pension if I am retired? What if I am vested but haven't retired yet?

<u>Short Answer</u>: You are referencing the Plan's "credit balance," which is not related to the amount of Plan assets available for pension benefits. As noted above, the Plan currently has sufficient assets to pay pension benefits through 2042. Thus, the credit balance does not affect your pension if you are retired or if you are vested and have not retired.

<u>Explanation</u>:

The Plan provides all Participants with an Annual Funding Notice each year. The notice is required by federal law. Copies of the notice are available on the Plan's website.

The Annual Funding Notice must include a discussion of the Plan's credit balance, which is an actuarial term. The credit balance is not related to the amount of assets held by the Plan to pay benefits. The credit balance tracks employer contributions that exceed minimum contributions required under the Internal Revenue Code.

The IRS requires all multiemployer defined benefit plans to report the "credit balance" annually. The Plan's actuary must calculate, certify and project the expected "credit balance" for current and future plan years. The projection of the "credit balance" is one of the two measures used to determine a Plan's zone status. The "credit balance" can be negative for a plan in critical status (or in the "Red Zone"). Since this Plan is in critical status you may see the credit balance go negative in future years.

8. What are the chances that the PBGC will take over?

<u>Answer</u>: The PBGC does not "take over" a multiemployer pension plan. It provides financial assistance to multiemployer plans that become insolvent. As noted above, if the Plan becomes insolvent in 2042 the Plan will look to the PBGC to provide supplemental funding so pensions can continued to be paid, albeit at the potentially lower PBGC guaranteed benefit limits. However, as noted above, the Plan's date of insolvency can fluctuate based on annual investment returns.

9. What will happen to my pension if my employer does not pay its withdrawal liability?

<u>Short Answer</u>: Your pension is not affected if your employer does not pay its withdrawal liability payments.

<u>Explanation</u>:

Pension laws grant the Plan broad authority to collect withdrawal liability payments from employers. That authority includes collecting from other current and future businesses owned by the employer and/or his/her spouse and other family members, as well as the employer's personal assets.

10. I am a participant and my employer refuses to pay the supplemental contribution. We as employees are paying a portion of the contribution. What will happen to our contributions if our employer withdraws from the plan?

<u>Short Answer</u>: All contributions received by the Plan stay in the Plan, even if the contributing employer withdraws. That includes contributions made by the employer as a result of bargaining (the situation described in #2 below).

Explanation:

The employer is required by law to pay supplemental contributions. That means that the Trust Office receives one check from the employer with all of the supplemental contributions. The Trust Office will not accept a check from the union or from a participant.

The employer has two options under current law:

1. *The employer can agree to pay the full amount; or*

2. *The employer can bargain with the union to reduce the amount the employer pays in compensation and/or other benefits to fund all or a portion of the supplemental contribution.*

The employer cannot take all or a portion of the supplemental contribution as a salary reduction from the Participant's paycheck, like a 401(k) deferral or cafeteria plan deferral. As noted above, the Plan cannot legally accept this type of employee contribution.

11. What happens if Congress allows portions of the Pension Protection Act of 2008 to expire this year?

Answer: Portions of the Pension Protection Act ("PPA") are scheduled to sunset, or terminate, at the end of 2014. The federal regulatory agencies responsible for implementing PPA are working on guidance on this issue. The agencies believe they have regulatory authority to issue regulations replacing some PPA provisions, if they expire. The full scope of the agencies' position will not be known until late this year.

In addition, there is a chance that Congress will take legislative action after the fall elections. For example, the National Coordinating Committee for Multiemployer Plans is lobbying Congress for a legislative response.

The Board will continue to monitor this situation but will likely not know the extent of regulatory and/or legislative changes until late in 2014.

12. I heard rumors that there may be a "mass withdrawal" from the Plan. What does that mean to pension benefits?

Short Answer: A "mass withdrawal" occurs when "substantially all" employers withdraw from the Plan. In effect, the Plan would terminate and all accrued pension benefits would become vested. In that case, the Board would continue to administer the Plan and oversee Plan investments. The Plan would continue to pay out benefits, as explained above, until the last retiree died.

Explanation: You may have heard or read statements concerning a possible "mass withdrawal" from the Plan. Some of these statements have been made in the context of bargaining. Please note the following regarding what a "mass withdrawal" means.

a. *A "mass withdrawal" is a legal term used to describe one of the ways a multiemployer defined benefit plan is treated as terminated under ERISA. A mass withdrawal occurs in any of the follow events:*

   (1) *all participating employers withdraw from the Plan;*

   (2) *the obligation of all participating employers to contribute to the Plan ceases; or*

   (3) *substantially all participating employers withdraw pursuant to an agreement or arrangement to withdraw.*

   Note: The term "substantially all" is not defined by statute or regulations. Based on existing authorities it appears to be between 85% to 90% of all participating employers.

b. *None of the mass withdrawal events listed above from the statute has occurred.*

The Board continues to monitor how many employers have withdrawn and how many employers have agreed to continue to participate in the Plan. At least one employer that withdrew decided to come back into the Plan.

Western States Office and Professional Employees Pension Fund

Updated Rehabilitation Plan

March 2010

<u>Questions & Answers</u>

1. **What is the effective date of the Updated Rehabilitation Plan?**

   The effective date of the Updated Rehabilitation Plan is for collective bargaining agreements entered into on or after January 1, 2010.

2. **A collective bargaining agreement expires sometime after April 1, 2010. What rehabilitation plan will be used in the new collective bargaining agreement?**

   The Updated Rehabilitation Plan should be used for the new collective bargaining agreement.

3. **A collective bargaining agreement was based on the original Rehabilitation Plan. What happens now?**

   The parties to the collective bargaining agreement may either:

   a. continue on the original Rehabilitation Plan schedule for the life of the collective bargaining agreement; or
   b. Reopen the collective bargaining agreement and retroactively adopt the Updated Rehabilitation Plan.

   A & I Benefit Plan Administrators will contact the parties who entered into a collective bargaining agreement based on the original rehabilitation plan.

4. **What is the procedure to retroactively adopt the Updated Rehabilitation Plan?**

   The Fund will recognize an amendment to a collective bargaining agreement if the collective bargaining agreement is modified to adopt the Updated Rehabilitation Plan. The parties must give written notice to A & I

Benefit Plan Administrators if they modify the collective bargaining agreement.

5. **What happens to the "overpayments" if a collective bargaining agreement is modified to adopt the Updated Rehabilitation Plan?**

   Credit for the overpayment will be given as soon as administratively possible. After the credit is exhausted, payments will be based on the Updated Rehabilitation Plan.

6. **What happens if a collective bargaining agreement complied with the original Rehabilitation Plan and is not retroactively amended to adopt the Updated Rehabilitation Plan?**

   Contributions to the Fund will be based on the original Rehabilitation Plan for the life of the collective bargaining agreement. The Rehabilitation Plan is structured so that each employer will pay a comparable share of the cost to emerge from the Red Zone. Therefore, credit will be given for the "overpayments." The credit will be given during the life of the next collective bargaining agreement.

7. **When will the Trustees adopt a revised Rehabilitation Plan?**

   At this time the Trustees do not know when, or if, there will be another revised Rehabilitation Plan. The Trustees are required annually to update the Rehabilitation Plan. Therefore, annually they will evaluate the Fund's investment performance and actuarial information and determine if the Rehabilitation Plan should be revised.

8. **When may parties take advantage of a revised Rehabilitation Plan with lower payments which the Trustees adopt in the future?**

   The time depends on the length of the collective bargaining agreement at the time the revised Rehabilitation Plan is adopted. The reason is that the Pension Protection Act provides that a rehabilitation schedule relied on in a collective bargaining agreement remains in effect for the life of the collective bargaining agreement. Therefore, the earliest date is the first day after the expiration of the collective bargaining agreement which is in existence at the time of the adoption of the new schedule. For example, assume a collective bargaining agreement expires on December 31, 2013 and the Trustees adopt a new rehabilitation schedule with lower payments effective January 1, 2012. The new lower schedule can be implemented as of January 1, 2014, which is the first day after the expiration of the *collective bargaining agreement which was in effect on January 1, 2012 (the day the new schedule is effective).*

9. **Will credit be given for "overpayments" if the Trustees adopt a new Rehabilitation Plan with a lower schedule of payments and a collective bargaining agreement extends for a long period of time after the effective date of the new Rehabilitation Plan? If credit is given, when will it be given?**

   Yes, credit will be given. The intention of the Rehabilitation Plan is that each employer pay a comparable share of the cost needed to help the Fund emerge from the Red Zone. The Fund's actuary will make separate calculations for each collective bargaining agreement. Therefore, no employer will pay more than its appropriate share. The credit will be given during the life of the next collective bargaining agreement.

10. **May the parties enter into a multiyear collective bargaining agreement with an annual pension reopener to take advantage of a revised Rehabilitation Plan with a lower schedule of payment?**

    Yes. The parties may adopt a new and lower schedule if the collective bargaining agreement is reopened. For example, assume a collective bargaining agreement (a) expires on December 31, 2013; (b) has an annual reopener for pensions; and (c) the Trustees adopt a new rehabilitation schedule with lower payments effective January 1, 2012. The parties could adopt the new and lower schedule effective January 1, 2012 if they properly and timely reopen the collective bargaining agreement. However, the new schedule will apply effective January 1, 2014, if the parties do not reopen the collective bargaining agreement effective either January 1, 2012 or January 1, 2013.

11. **Is it necessary to annually reopen a multiyear collective bargaining agreement which has an annual reopener for pensions?**

    No; the parties determine when to reopen their collective bargaining agreement. Reopening a contract is not a Fund decision.

Western States Office and Professional Employees Pension Fund

Automatic Renewal & Evergreen Contracts

Questions & Answers

1. **What is an “Automatic Renewal” or “Evergreen” contract?**

   An “Automatic Renewal” or “Evergreen” contract is the name for a collective bargaining agreement that automatically continues year to year unless a party to the contract reopens the contract. Generally, this type of collective bargaining agreement is a multiyear contract. This contract also contains a provision that one of the parties may reopen the collective bargaining agreement a specified period of time before the anniversary date of the collective bargaining agreement. The contract continues from year to year unless it is reopened. “Automatic Renewal” and “Evergreen” are different names for the same type of contract.

2. **Why is the Fund concerned with an Automatic Renewal or Evergreen contract?**

   The Pension Protection Act requires that the Fund determine the expiration date of all collective bargaining agreements in effect when the Fund adopted the Rehabilitation Plan. The reason is that a collective bargaining agreement is required to comply with the Rehabilitation Plan after the Fund adopts the Rehabilitation Plan and the collective bargaining agreement in effect at the time of the adoption of the Rehabilitation Plan “expires.”

3. **When will an Automatic Renewal or Evergreen contract expire?**

   The Fund’s attorney advised the Trustees that one of these collective bargaining agreements will “expire” at the earliest date that either party may reopen the contract. This interpretation is only for purposes of the Pension Protection Act.

4. **What should happen if there is an Automatic Renewal or Evergreen contract which the Fund considers expired?**

   The collective bargaining agreement must adopt the Rehabilitation plan after the expiration. For example, in Question 3, above, the collective bargaining agreement is considered to expire on December 31, 2011. Therefore, the collective bargaining agreement must adopt the Rehabilitation Plan effective on or after January 1, 2012.

5. **What if the parties to an Automatic Renewal or Evergreen contract do not adopt the Rehabilitation Plan after the Fund determines that it expired?**

   The employer will be considered delinquent. The Fund will then follow its normal collection procedures to collect delinquent employer contributions.

6. **When will the employer be in default if an Automatic Renewal or Evergreen contract does not adopt the Rehabilitation Plan after the collective bargaining agreement expires?**

   The Pension Protection Act imposes the default Rehabilitation Plan on the parties if they do not adopt the Rehabilitation Plan within 180 days after the expiration of the collective bargaining agreement. Therefore the default will occur at the time when the first payment is delinquent under the default Rehabilitation Plan.

7. **Why will the Trustees collect the delinquent employer contributions for these Automatic Renewal or Evergreen contracts?**

   The trustees have a fiduciary responsibility to comply with the law and to protect all plan participants and contributing employers.

Western States Office and Professional Employees Pension Fund

Rehabilitation Plan Questions and Answers

November 6, 2009

Introduction

The Trustees of the Western States Office and Professional Employees Pension Fund (called the "Plan" in this document) are providing this list of questions and answers to all Employers and Unions to facilitate their understanding of the Rehabilitation Plan. The questions are based upon actual questions received by Trustees and the Plan's Third Party Administrator.

All Employers and Unions were mailed a copy of the Rehabilitation Plan, including the Supplemental Employer Contribution Schedule and Default Supplemental Employer Contribution Schedule. The Rehabilitation Plan is effective November 25, 2009. The following questions and answers assume you reviewed the Rehabilitation Plan. You may obtain a copy of the Rehabilitation Plan and/or this document from the Plan's Third Party Administrator (see below) or online at: *http://www.wsp.aibpa.com.*

If you have questions you should contact the Plan's Third Party Administrator as follows:

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Surcharge Questions

1. Is the surcharge added to the original pension contribution?

Yes.

2. Does the surcharge compound each year?

No. The surcharge is 5% for hours worked on or after August 1, 2009, and 10% for hours worked on or after January 1, 2010, and for all subsequent years. You do not add them together. The 10% surcharge replaces the 5% surcharge.

EXAMPLE: Assume the Employer's pension contribution under the current CBA is $2.00 per hour.

The Employer's pension contribution for hours worked on or after August 1, 2009, is:

Pension Contribution	Surcharge	Total
$2.00 per hour	$0.10 per hours (5%)	$2.10 per hour

The Employer's pension contribution for hours worked on or after January 1, 2010, is:

Pension Contribution	Surcharge	Total
$2.00 per hour	$0.20 per hours (10%)	$2.20 per hour

3. How long does the surcharge apply?

The surcharge applies until the collective bargaining agreement ("CBA") expires on or after November 25, 2009 (the effective date of the Rehabilitation Plan).

EXAMPLE: Assume the CBA expires on December 31, 2012. The 5% surcharge applies for hours worked on or after August 1, 2009. The 10% surcharge applies for hours worked in 2010, 2011, and 2012. Effective January 1, 2013, either the Supplemental Employer Contribution Schedule or the Default Supplemental Employer Contribution Schedule applies.

4. What happens if the bargaining parties agree to extend the CBA for three years prior to November 25, 2009, the effective date of the Rehabilitation Plan?

The surcharge continues to apply (5% for hours worked on or after August 1, 2009, and 10% for hours worked in subsequent years) *until the extended contract expiration date*. Once the CBA expires after November 25, 2009, the bargaining parties either agree to implement the Supplemental Employer Contribution Schedule or the Default Supplemental Employer Contribution Schedule automatically applies 180 days after the contract expires.

EXAMPLE: Assume the CBA is set to expire on December 31, 2009. The bargaining parties agree on November 24, 2009, to extend the current CBA for three years. The new expiration date is December 31, 2012. What is the result under the Rehabilitation Plan?

- 2009 5% surcharge on hours worked in 2009 (on or after August 1st)
- 2010 10% surcharge on hours worked in 2010
- 2011 10% surcharge on hours worked in 2011
- 2012 10% surcharge on hours worked in 2012
- 2013 Either the bargaining parties agree to implement the Supplemental Employer Contribution Schedule or the Default Supplemental Employer Contribution Schedule automatically applies 180 days after the contract expires.

NOTE: The contract must be extended prior to November 25, 2009. Under the Rehabilitation Plan, contracts extended after November 25, 2009, expire as of the contract's original expiration date.

5. What happens if an Employer refuses to pay the 5% or 10% surcharge?

The surcharge is a required Employer contribution under the Pension Protection Act of 2006. Thus, unpaid surcharge amounts are subject to the same rules that apply to any delinquent employer contribution and are collected by the Trustees, along with possible interest, liquidated damages and attorney's fees.

Supplemental Employer Contribution Schedule Questions

1. How does the Supplemental Employer Contribution Schedule work?

The schedule applies to CBAs expiring on or after November 25, 2009. To use the schedule, start with the left hand column titled "CBA Effective Date" and find the first day of the month following the date on which the new CBA is effective.

EXAMPLE: Assume the current CBA expires on December 15, 2009, and the Parties sign a new CBA on that date with a \$2.00 per hour pension contribution. The first day of the following month is January 1, 2010. To use the schedule find January 1, 2010, in the left hand column. Reading across the columns, the supplemental employer contribution percentage for the 1st year of the CBA is 26%, the 2nd year is 52%, and so on for subsequent years. The supplemental employer contribution percentage is then added to the Employer's current pension contribution amount and replaces the 5% or 10% surcharge. The Employer pension contribution under this example is:

The Employer's pension contribution for hours worked on or after January 1, 2010, is:

Pension Contribution	Supplemental	Total
\$2.00 per hour	\$0.52 per hour (26%)	\$2.52 per hour

The Employer's pension contribution for hours worked on or after January 1, 2011, is:

Pension Contribution	Supplemental	Total
\$2.00 per hour	\$1.04 per hour (52%)	\$3.04 per hour

2. What is the "CBA Effective Date" if the CBA expires on January 31, 2010, and the bargaining parties sign a new CBA effective June 15, 2010?

First, the CBA expires after November 25, 2009, so the bargaining parties must incorporate the Supplemental Employer Contribution Schedule in the CBA. Second, the first day of the month following the effective date of the new CBA is July 1, 2010. Find that date in the left hand column on the schedule. Reading across the columns, the supplemental employer contribution percentage for the 1st year of the CBA is 39%, the 2nd year is 65%, and so on for subsequent years.

<u>NOTE</u>: The supplemental employer contribution percentage for the 1st and subsequent years take into account the delayed effective date.

3. What is the "CBA Effective Date" if the new CBA is effective June 1, 2010?

The CBA Effective Date is June 1, 2010. The CBA Effective Date is the first day of the month if the new CBA is effective that day. The CBA Effective Date is the first day of the following month if the new CBA effective date is any other day during the month.

4. Is a CBA treated as "expiring" if the bargaining parties agree to use a "reopener" provision in the contract to renegotiate wages?

No. Assume a CBA expires on December 31, 2012. The CBA provides a "reopener" provision with regard to wages. The CBA is not treated as "expiring" for Rehabilitation Plan purposes if the parties agree to "reopen" the contract on January 1, 2010, to negotiate wage changes. However, the CBA would be treated as expiring for Rehabilitation Plan purposes if the reopener related to the Employer's pension contribution.

<u>Default Schedule Questions</u>

1. How is the Default Schedule determined?

The Default Supplemental Employer Contribution Schedule was developed by the Plan's actuary based upon statutory and actuarial requirements.

2. What is the "Default Schedule"?

The Rehabilitation Plan provides two schedules with supplemental contribution percentages. The bargaining parties can agree to implement the Supplemental Employer Contribution Schedule. The Default Supplemental Employer Contribution Schedule or "default plan" *<u>automatically applies</u>* if the bargaining parties cannot agree to implement the Supplemental Employer Contribution Schedule within 180 days after the CBA expires.

Example of the 180 day rule:

Date	Action
Nov. 30, 2009	CBA expires
May 28, 2010	The 179th day after the CBA expired. The bargaining parties have until this date to adopt a new CBA incorporating the Supplemental Employer Contribution Schedule effective June 1, 2010, the first day of the following month.
May 29, 2010	The 180th day. The Default Supplemental Employer Contribution Schedule *automatically applies* effective June 1, 2010, the first day of the following month.

NOTE: This example clarifies the example provided in the Rehabilitation Plan which stated that both the Supplemental Employer Contribution Schedule and Default Supplemental Employer Contribution Schedule applied retroactively to December 1, 2009. Retroactive application is not required because the schedule takes delayed effective dates into account.

3. Why would the "Default Schedule" ever be implemented?

The Pension Protection Act provides that the Default Supplemental Employer Contribution Schedule applies only when the bargaining parties cannot agree to implement the Supplemental Employer Contribution Schedule with the 180 day period. For example, the Default Supplemental Employer Contribution Schedule applies if one of the bargaining parties refuses to negotiate and the 180 day period expires.

GENERAL QUESTIONS

1. Assume the CBA provides for annual increases in the Employer's pension contribution each year. Are these increases included when determining the Employers' supplemental contributions if they occur before or after November 25, 2009?

The increases are subject to the surcharge, if applicable, as well as the Employer's supplemental contribution no matter when they occur.

2. Assume the bargaining parties agree to allocate a portion of a wage increase to pension contributions, in addition to the existing Employer contribution. Are these "new dollars" subject to the surcharge and/or Rehabilitation Plan if they occur before or after November 25, 2009?

The increases are subject to the surcharge, if applicable, as well as the Employer's supplemental contribution no matter when they occur.

3. What happens if an Employer decides to "close the doors" to avoid paying the surcharge and/or supplemental employer contributions required under the Rehabilitation Plan?

Any unpaid Employer contributions, including surcharges and/or supplemental employer contributions, are Plan Assets collectible by the Trustees. Any Employer that stops business operations to avoid the surcharge and/or supplemental employer contributions is liable for current contributions and will be subject to withdrawal liability which may include personal liability for unpaid contributions.

4. Can the bargaining parties agree to reduce the Employer's pension contribution before or after November 25, 2009?

No. The Pension Protection Act prohibits bargaining parties from entering into a new or amended CBA that:

(1) reduces the level of pension contribution for any participant;

(2) suspends pension contributions with respect to any period of service; or

(3) includes a new direct or indirect exclusion of younger or newly hired employees from Plan participation.

5. If a CBA requires pension contributions in the form of a percentage, are the parties considered "lowering contributions" if the contribution amount is converted to a flat dollar amount?

The bargaining parties can switch to a flat dollar amount if the highest percentage contribution for any participant covered under the CBA is used.

6. What happens if an Employer stops making contributions to the Plan and starts making contributions into an alternative retirement plan?

An Employer that stops making contributions is deemed to have withdrawn from the Plan and may have "withdrawal liability." An Employer's withdrawal liability is the Employer's share of the Plan's unfunded vested benefits.

The Trustees will adopt a withdrawal liability policy at the December Trust meeting. All Employers and Unions will be provided with more information about withdrawal liability at that time.

Western States Office and Professional Employees Pension Fund

Supplemental Participant Questions and Answers

Updated and Revised– July 2009

Introduction

The Trustees of the Western States Office and Professional Employees Pension Fund (called the "Plan" in this document) originally provided a list of questions and answers to all Plan participants in April 2009. The original document addressed questions and answers #1 through #30. The questions addressed in the original document resulted from the Plan's "Red Zone" status. The original document is available from the Plan's third party administrator (see below) or online at: *http://www.wsp.aibpa.com.* This supplemental document addresses recent Plan amendments made by the Trustees and answers additional participant questions about Red Zone status.

> Supplemental questions: Questions 30 to 45 are new and are provided below. They are based on questions received by the Plan's administrator and Trustees. If you have questions you should contact the Plan's third party administrator as follows:
>
> *A&I Benefit Plan Administrators, Inc.*
> *1220 S.W. Morrison St, Suite 300*
> *Portland. OR 97205-2222*
> *Toll-Free: (800) 413-4928*
> *Local: (503) 222-7694*
>
> Revised questions: Original Questions and Answers #8, 17 and 23 are restated at the end of this document. They are revised to reflect the Trustees' decision to extend the effective date of the Red Zone amendments to January 1, 2010. The amendments were previously effective November 1, 2009. This means that participants can take early retirement effective **December 1, 2009**, under existing Plan provisions. **In order to take early retirement on December 1, 2009, your completed application must be submitted by November 15, 2009**. If you plan to take early retirement you should contact the Plan's third party administrator as soon as possible to request an application.

Updated Participant Questions and Answers

30. Why was the decision made to go to the "Red Zone" instead of staying in the "Green Zone" which the government has allowed for one year and possibly two years? What are the benefits of going "Red"?

The decision to go into the "Red Zone" and the benefits of going "Red" were both answered in question #5 of the original questions, reprinted below:

The Plan's professionals advised the Trustees that there is no advantage and only disadvantages for the Plan to elect "Green Zone" status for 2009. That election would not remedy the impact of the stock market losses. The advantage of being in the "Red Zone" is that the bargaining parties may act sooner to stabilize the funding status of the Plan to ensure its long-term viability. "Red Zone" status permits the parties to correct the funding over thirteen (13) years rather than ten (10) years. The thirteen (13) years will have less of an annual impact on the Plan's participants and employers. The Plan's participants and employers will receive the benefit of any increase in the Plan's investment performance whether or not the Plan is in the "Red" or "Green Zone" for 2009.

31. What are the benefits and/or detriments to the Plan of staying "Green"?

The benefit of staying "green" is that reductions to adjustable benefits are not mandated (but may still be made). Adjustable benefits are listed in Notice of Critical Status provided to all participants in April (available online at: http://www.wsp.aibpa.com. The detriments are: (a) a ten (10) year rather than a thirteen (13) year funding recovery period; (b) additional accruals of ancillary benefits increases the Plan's funding obligations; and (c) greater uncertainty as to the Plan's long-term funding status.

32. If I retire effective December 1, 2009, am I allowed to work for a non-contributing employer without restriction regarding hours worked each month?

The Plan does not prohibit you from returning to work after your retirement. However, if you return to work with a <u>participating employer</u> there is a limit on the number of hours you may work without affecting your pension benefit. The rules are described under the heading "Returning to Work After Retirement" in the Summary of Material Modifications ("SMM") recently sent to all participants. The SMM is also available online at: http://www.wsp.aibpa.com. A "participating employer" is an employer with a participation agreement and/or that makes contributions to the Plan on behalf of any participant.

33. After I retire, it is my understanding that I cannot work or collect funds for vacation and/or sick leave in the month immediately following my retirement.

You are correct that you cannot have any reportable hours in the month immediately following your retirement. "Reportable hours" includes the accrual of leave in the month following your retirement. The Plan's administrative rules concerning vacation, sick leave or other types of leave provide that:

- *You can be paid for leave at any time after your retirement, provided the leave was accrued before your retirement date. For example, if you retire December 1, 2009, you can be paid for the leave you accrued through November 30, 2009, at any time without jeopardizing your retirement.*
- *The Plan's receipt of contributions on leave hours after your retirement will not affect your benefits if your employer makes pension contributions on leave when you take the leave, rather than when the leave was accrued.*

34. Am I considered "retired" if I have an agreement, arrangement or understanding with my employer that my employer will hire me back after one month?

No. A participant is not fully retired, and is not eligible for retirement benefits, if there is any type of formal or informal "termination and rehire" agreement, arrangement or understanding.

35. Assume I retire on October 1, 2009. Can I work full time for a contributing employer for the month of November and December, but no more than 39 hours in the month of January?

You have correctly stated the return to work rules (see also question #32 above). For every three consecutive monthly period you can work unlimited hours for the first two months as long as you work less than 40 hours in the third month. You should note that hours accrued for any type of paid leave count as hours worked and may, for example, put you over 40 hours.

36. If I return to work with a participating employer after retirement, does my employer make pension contributions on the hours I work? Are my benefits recalculated?

If you return to work with a participating employer your employer will make pension contributions on all covered hours that you work, including leave. The rules concerning recalculation of benefits are provided in the Summary of Material Modifications ("SMM") sent to all participants (see question #32 above). See also the following questions.

37. Assume I am age 55 and take <u>early retirement</u> prior to January 1, 2010, under the Rule of 80. My benefits are subsequently suspended because I return to work and my hours exceed the return to work rules (see questions #32 and #35, above). Can I reinstate my benefits after January 1, 2010, even though early retirement under the Rule of 80 is no longer available?

Yes. A participant who takes early retirement under a Plan rule in effect prior to January 1, 2010, may reinstate under that rule after a suspension.

38. Assume I take <u>early retirement</u> as of December 1, 2009. My benefits are subsequently suspended twice and fall under the new rule that my benefits are not payable again until Normal Retirement Age. What is my Normal Retirement Age?

Your "original benefits" are the benefits you accrue as of December 1, 2009. Your original benefits are subject to the Plan rules in effect as of December 1, 2009. This means that the Normal Retirement Age for your original benefits is age 62. Your "new benefits", the benefits you accrue after January 1, 2010, are subject to the new Plan rules. The Normal Retirement Age for your new benefits is age 65.

You have two choices when you turn age 62. First, you can take your original benefits and wait to take your new benefits until age 65. Second, you can take both your original benefits and your new benefits at the same time. However, your new benefits are subject to reduction for early retirement from age 65 (see question 40 below for an example).

39. Assume I take <u>early retirement</u> after January 2010. My benefits are subsequently suspended twice and fall under the new rule that my benefits are not payable again until Normal Retirement Age. What is my Normal Retirement Age?

The same answer as question 38. Benefits accrued as of December 31, 2009, are subject to the Plan rules in effect at that time. The Normal Retirement Age for these benefits is age 62. Benefits accrued on or after January 1, 2010, are subject to the new Plan rules. The Normal Retirement Age for these benefits is age 65.

40. Assume I am age 62 and take <u>normal retirement</u> prior to January 1, 2010. My benefits are subsequently suspended because I return to work. Can I reinstate my benefits after January 1, 2010, before I reach the Normal Retirement Age of 65?

This question is also answered in questions #39 and #40, above. If you take normal retirement prior to January 1, 2010, and your benefits are subsequently suspended, you can reinstate your retirement benefits after January 1, 2010, before you turn age 65. However, any benefits you accrue after January 1, 2010, are subject to reduction for early retirement if taken before age 65.

41. Assume the same facts as under question 40. How are my benefits determined?

Your benefits are subject to the 500 hour rule discussed in question 45, below.

42. Assume I am age 55 as of December 1, 2009, and qualify to take <u>early retirement</u> prior to January 1, 2010. How will my pension benefit be reduced if I retire now?

If you take early retirement on or before December 1, 2009, the reduction is 2% a year for each year before the current Normal Retirement Age of 62 (see Column (1) below).

	Column (1)
Age at Retirement	*Early Retirement Factor for Participants taking early retirement prior to January 1, 2010: 2% from age 62*
65	*100%*
64	*100%*
63	*100%*
62	*100%*
61	*.98*
60	*.96*
59	*.94*
58	*.92*
57	*.90*
56	*.88*
55	*.86*

For example, assume you have an accrued benefit of $2,000 per month at age 62 as of December 1, 2009, and you decide to take early retirement at age 55. The early retirement factor under column (1) is .86 (or 86%). Your benefit is $2000 x .86 = $1720 per month after the early retirement reduction.

43. Assume I am age 55 as of December 1, 2009, and qualify to take <u>early retirement</u> prior to January 1, 2010. How will my pension benefit be reduced if I wait until 2014 when I am age 60?

If you take early retirement after January 1, 2010, the yearly reduction is determined by the Plan's actuary for each year before the applicable Normal Retirement Age. Your benefit will be the sum of the following two parts, determined by using the following chart:

Early Retirement Factor for Participants taking early retirement after January 1, 2010		
	Column (2)	*Column (3)*
Age at Retirement	*Early Retirement Factor: Actuarial reduction from age 62*	*Early Retirement Factor: Actuarial reduction from age 65*
65	*100%*	*100%*
64	*100%*	*.9056*
63	*100%*	*.8216*
62	*100%*	*.7467*
61	*.9104*	*.6798*
60	*.8301*	*.6199*
59	*.7580*	*.5660*
58	*.6932*	*.5176*
57	*.6347*	*.4739*
56	*.5818*	*.4345*
55	*.5340*	*.3987*

- *The first part of your benefit is based upon your original early retirement benefit of $2,000 per month payable at age 62. This part of your benefit is determined using the early retirement factor under column (2) because your retirement date is after January 1, 2010. The factor at age 60 is .8301 (83.01%). This part of your benefit is $2,000 x .8301 = $1,660.20 per month after the early retirement reduction.*

- *The second part of your benefit is the new benefit you earned from age 55 to age 60, from 2009 to 2014. Your new benefit is based upon Plan provisions in effect January 1, 2010, including normal retirement age of 65. The amount of your new benefit depends upon the Plan's accrual rate, the contributions made on your covered hours and your age. Assume the benefit you earn between 2010 and 2014 is an additional $500 per month payable at age 65. The factors under column (3) apply to your new benefit. The factor at age 60 is .6199 (61.99%). This part of your benefit is $500 x .6199 = $309.95 after the early retirement reduction. Your total benefit is $1,660.20 + $309.95 = $1970.15.*

44. Assume I take <u>early retirement</u> on October 1, 2009, with a benefit of $1,400 per month. I return to work for a participating employer part-time so my benefits are not suspended. How are my benefits determined?

You will continue to receive your early retirement benefit of $1,400 per month since your benefits are not suspended. In addition, your early retirement benefit will be recalculated each year to take into account your subsequent accruals. Your benefit will be the sum of the following two parts:

- *The first part of your benefit is your original early retirement benefit of $1,400 per month. This amount does not change. It is based upon the Plan provisions applicable to your original early retirement date, including normal retirement age of 62 and 2% per year early retirement reduction.*

- *The second part of your benefit is the new benefit you earned during the year. Your new benefit is based upon Plan provisions in effect January 1, 2010, including normal retirement age of 65 and an actuarial reduction for early retirement. The amount of your new benefit depends upon the Plan's accrual rate in effect at the time, contributions made on your covered hours and your age.*

45. Assume I take <u>early retirement</u> on October 1, 2009, with a benefit of $1,400 per month. I return to work full time for a participating employer in January, 2010. My benefits are suspended in May, 2010. I work for another year and then apply to reinstate my benefits as of June 1, 2011. How are my benefits determined?

The determination of your benefits depends upon whether or not you have at least 500 hours of work after your benefits are suspended and before reinstatement.

- *If you do not have 500 hours of work, your benefits are not adjusted and remain at $1,400 per month upon reinstatement. Effective for participants retiring on or after August 1, 2009, suspended pension payments are forfeited and not paid.*

- *If you have 500 hours of work, your benefit will be based upon your Total Service Benefit, which will be recomputed and increased as if your employment had been continuous with an actuarial adjustment made for benefits previously received. However, your benefit will not be less than your original early retirement benefit of $1,400 per month.*

<u>Revised Original Participant Questions and Answers</u>

8. Now that Western States Pension is certified in the Red Zone and must adopt a "Rehabilitation Plan," what changes in benefits will be implemented?

*The changes are the elimination of early retirement subsidies; the increase in normal retirement age to 65; the elimination of optional forms of benefit other than the straight life annuity and the 50% husband and wife annuity (or actuarially equivalent annuities); the elimination of disability benefits not yet in pay status; the reduction in the benefit accrual formula for benefits earned in the future; and the elimination of pre-retirement death benefits other than the Qualified Preretirement Survivor Annuity (QPSA). These changes are for participants who retire on or after **<u>January 1, 2010</u>** (previously **November 1, 2009**). You will not be affected by any of these changes if you submit your application for retirement on or before **<u>November 15, 2009</u>** (previously September 15, 2009).*

The amount of benefits you have accrued to date and payable when you retire will not be affected.

17. Will the changes in benefits apply to me before my current contract expires?

The amount of benefits that you have earned through December 31, 2009 (previously October 31, 2009) will not change, but any changes to how future benefits are earned can apply to you before your current contract expires. Benefits earned for hours worked after December 31, 2009 (previously October 31, 2009) will be reduced even though your CBA has not expired. For example, the current accrual rate is 1.80% of contributions received on your behalf and this accrual rate will be lowered for contributions for hours worked after December 31, 2009 (previously October 31, 2009).

23. If I want to take early retirement before any changes in the Plan are implemented, when must my paperwork be submitted?

*A participant is required to submit an application for retirement by **<u>November 15, 2009</u>** (previously September 15, 2009), to receive the Plan's existing benefits before any changes to the Plan are implemented. You should contact the Plan's third party administrator as soon as possible to request the forms.*

Western States Office and Professional Employees Pension

Participant Questions

April 2009

1. **What is the difference between a "Defined Benefit" retirement plan and a 403(b)/401(k) retirement plan?**

   A defined benefit plan provides a participant with a set monthly amount upon retirement based on a formula, guaranteed for the life of the member or the joint lives of the member and his/her spouse. The monthly benefits are paid for by a pooled investment fund established by multiemployer contributions.

   A 403(b) or 401(k) plan is a type of defined contribution plan. A defined contribution plan is a plan where each participant has a separate account and decides his/her own investment options. The account balance is made up of contributions and investment earnings or losses. The amount of retirement benefits is based on the account balance at retirement. A participant then determines how to invest or spend the account balance with no guarantee of investment returns or benefit amount.

2. **What type of retirement plan is the Western States Office and Professional Employees Pension?**

   The Western States Office and Professional Employees Pension Plan is a defined benefit plan where the monthly benefit is payable at retirement and is currently based on 1.8% of the Employer contributions made on a member's behalf. The contribution levels are negotiated through Collective Bargaining Agreements.

3. **What set of laws govern and protect our pension plan?**

   The Employee Retirement Income Security Act (ERISA) was enacted in 1974 to protect the interests of employee benefit plan participants and their beneficiaries. It was amended in 2006 by the Pension Protection Act of 2006.

4. **What does it mean when a pension plan moves from the "Green Zone" into the "Red Zone?"**

   The Pension Protection Act of 2006 was enacted in August 2006 and is the most sweeping pension legislation in over 30 years. This new law contains provisions that assign multiemployer plans to various color zones based on how well funded they are: Green, Yellow, Orange, and Red. Green Zone plans are considered adequately funded while a plan's funding situation deteriorates as it moves from Yellow to Orange to Red.

5. **The Plan is in the "Red Zone" for 2009. Why did the trustees not elect to carry over its 2008 "Green Zone" status?**

The Plan's professionals advised the Trustees that there is no advantage and only disadvantages for the Plan to elect "Green Zone" status for 2009. That election would not remedy the impact of the stock market losses. The advantage of being in the "Red Zone" is that the bargaining parties may act sooner to stabilize the funding status of the Plan to ensure its long-term viability. "Red Zone" status permits the parties to correct the funding over thirteen (13) years rather than ten (10) years. The thirteen (13) years will have less of an annual impact on the Plan's participants and employers. The Plan's participants and employers will receive the benefit of any increase in the Plan's investment performance whether or not the Plan is in the "Red" or "Green Zone" for 2009.

6. **How do the investment losses experienced by Western States Pension compare with other Taft-Hartley Pension Plans?**

All pension plans, including Taft-Hartley pension plans, are different. Each plan has its own unique investment requirement that dictates its investment policy and investment mix. Therefore, it is difficult to meaningfully compare the investment performance between Plans. There is currently no comprehensive information available comparing the investment performance of Taft-Hartley plans for 2008. However, we know that almost all pension plans with any exposure to stocks lost money in 2008.

7. **How does a Pension Plan get out of the Red Zone?**

By implementing changes such as reducing benefits and increasing employer contributions. Increased contributions will not generate additional benefits but will be used strictly to improve the funded status of the Plan.

8. **Now that Western States Pension is certified in the Red Zone and must adopt a "Rehabilitation Plan," what changes in benefits will be implemented?**

The changes are the elimination of early retirement subsidies; the increase in normal retirement age to 65; the elimination of optional forms of benefit other than the straight life annuity and the 50% husband and wife annuity (or actuarial equivalent); the elimination of disability benefits not yet in pay status; the reduction in the benefit accrual formula for benefits earned in the future; and the elimination of pre-retirement death benefits other than the Qualified Preretirement Survivor Annuity (QPSA). These changes are for participants who retire on or after November 1, 2009. You will not be affected by any of these changes if you submit your application for retirement on or before September 15, 2009.

The amount of benefits you have accrued to date and payable when you retire will not be affected.

9. **How will the benefit changes impact the contributions already made on my behalf into Western States?**

   The contributions already made on your behalf determine the amount of monthly benefit payable at your normal retirement age and such amount will not be affected.

10. **When does the Rehabilitation Plan for Western States Pension go into effect?**

    Actuarial calculations must be completed before the trustees can adopt the Rehabilitation Plan. We expect that the Trustees will accept the actuarial calculations at their September 2009 meeting. The deadline to adopt the Rehabilitation Plan is November 26, 2009. The bargaining parties will be officially notified within 30 days after the adoption of the Rehabilitation Plan. The Rehabilitation Plan must be incorporated into a Collective Bargaining Agreement that expires on or after January 1, 2011. However the collective bargaining parties may adopt the Rehabilitation Plan at an earlier date.

11. **I'm already retired, will my monthly benefit payments be impacted?**

    No.

12. **How will my Employer be impacted by Western States Pension declaring it's in the Red Zone and adopting a Rehabilitation Plan?**

    Upon the advice of the Plan's professionals, the Trustees determined the benefit reductions and will determine the contribution increases needed to correct the Plan's current funding situation. Contribution increases will be calculated by the Plan's Actuary based on applicable law. Each employer will have to work with the Union to adopt the Rehabilitation Plan as the Collective Bargaining Agreements expire. A 5% surcharge will be assessed on the employer contributions beginning on June 1, 2009 and increasing to 10% beginning January 1, 2010 until the Rehabilitation Plan is adopted in the CBA. The surcharge amounts are imposed by federal law.

13. **If the "Market" improves over the next few years and Western States Pension investments see positive returns, can the Rehabilitation Plan be revised or discontinued?**

    Yes. If the market performs better than expected, the Plan can emerge from the Red Zone and return to Green before the end of its scheduled Rehabilitation Period of 13 years. After the Plan returns to the Green Zone, the Trustees will explore restoring benefits.

14. **What if my Employer refuses to pay the U.S Government surcharge that begins June 1, 2009, for all pension plans certified in the Red Zone?**

    Failure to pay the surcharge is a delinquent contribution. The Trustees are required, as fiduciaries to protect the Pension Plan, to collect the unpaid contribution.

15. Are the terms and conditions of the Rehabilitation Plan negotiable through the collective bargaining process?

The Rehabilitation Plan will be adopted by the Trustees based on legal requirements and the actuarial calculations. The terms of the Rehabilitation Plan are not negotiable through the collective bargaining process. The Rehabilitation Plan contains alternative contribution combinations, of which the bargaining parties select one to be in their Collective Bargaining Agreement.

16. What if my Collective Bargaining Agreement does not expire until 2011?

The Pension Protection Act of 2006 (PPA) cannot require any contribution rate changes before the expiration of a Collective Bargaining Agreement when a plan is in "Red Zone," but encourages contracts to be negotiated earlier. This is encouraged by assessing a mandated 5% surcharge on employer contributions beginning June 1, 2009 and increasing the surcharge to 10% beginning January 1, 2010 until an existing contract is renegotiated to comply with the adopted Rehabilitation Plan. The Rehabilitation Plan will require that an employer pay a specified contribution amount into the plan. Paying the amount is like paying a mortgage. If you have a 10 year mortgage you pay more per month than if you have a 13 year mortgage. The same rules apply for paying according to the Rehabilitation Plan. The earlier the CBA is approved, the less money is paid per month.

17. Will the changes in benefits apply to me before my current contract expires?

The amount of benefits that you have earned through October 31, 2009 will not change, but any changes to how future benefits are earned can apply to you before your current contract expires. Benefits earned for hours worked after October 31, 2009 will be reduced even though your CBA has not expired. For example, the current accrual rate is 1.80% of contributions received on your behalf and this accrual rate will be lowered for contributions for hours worked after October 31, 2009.

18. Is there any advantage to opening a contract early to address the Pension?

There are two main advantages to opening a contract early: (1) the mandated 5% and 10% surcharges discussed in Questions #12 and #16 will stop and (2) the additional contributions that are needed to help the Plan's funding position after the 2008 market downfall are smaller when paid into the Plan earlier. If the additional contributions begin at a later time, the additional contributions will be greater.

19. What if my Employer wants to stop making pension contributions into Western States?

If your employer stops making pension contributions, the employer will likely be assessed a withdrawal liability.

20. What is “withdrawal liability”?

Withdrawal liability is an exit fee which the law requires of an employer that withdraws from participating in the Pension Plan. The withdrawal liability amount pays for the employer’s share of any vested benefits which are underfunded.

21. How is withdrawal liability calculated?

The employer’s withdrawal liability is based on a percentage of any underfunded vested benefits of the Pension Plan. That percentage is based on the employer’s contributions over the last 5 years as compared to the contributions made by all contributing employers in the Plan. The amount of withdrawal liability for an individual employer is determined by the Plan’s Actuary.

22. What happens to the contributions already made on my behalf if my Employer withdraws from Western States Pension?

The contribution already made on your behalf will stay in the Western States Pension Trust if your employer decides to withdraw.

23. If I want to take early retirement before any changes in the Plan are implemented, when must my paperwork be submitted?

A participant is required to submit an application for retirement by September 15, 2009, to receive the Plan’s existing benefits before any changes to the Plan are implemented.

24. What is the process to apply for early retirement?

You must file a “Claim for Benefits” with the Administration Office before you can receive any of the benefits provided by this Plan. Forms are available at the Administration Office of Western States Pension (A&I Benefit Plan Administrators, Inc., 1220 S.W. Morrison Street, Suite 300, Portland, Oregon, 97205). See the back of the application form for instructions.

25. Will I still be able to retire before the age of 65 after changes are made to the Western States Plan?

Yes, you will still be able to retire before the age of 65. However, the early retirement reduction will be greater after the changes in benefits are made to the Western States Plan.

26. What happens to my retirement benefits from Western States if my Employer goes out-of-business?

Your vested retirement benefits from Western States are guaranteed under ERISA even if your employer goes out of business.

27. Can Western States Pension go bankrupt?

Technically the Western States Plan can not go "bankrupt." However, the Plan can become insolvent and be in a financial position where it can not pay the required benefits. If this occurs, the pension benefits will be paid by the Pension Benefit Guaranty Corporation (PBGC), a federal government insurance agency. See questions #28 and #29.

28. If Western States Pension became "insolvent," what happens to my pension benefits?

If a plan's assets are not sufficient to pay benefits when due for the plan year, then it is considered "insolvent." An insolvent plan would pay out benefits until the plan's assets have been exhausted and then apply to the PBGC for financial assistance. By law, the PBGC will pay benefits at a guaranteed level.

29. Are the assets and investments of Western States insured by the Federal Government?

The PBGC is a federal government agency that insures your pension at a guaranteed level.

30. Will current benefits be restored once the Western States Pension Fund is certified to be in the "Green Zone?"

Once the Plan returns to the Green Zone, the Trustees can explore restoring benefits that were previously reduced or eliminated.